

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2502 – SB 2600

April 7, 2014

SUMMARY OF ORIGINAL BILL: Authorizes the State to issue direct general obligation bonds in amounts not to exceed \$167,600,000. The proceeds will be allocated to the Department of Finance and Administration (\$31,700,000) for capital outlay projects, and (\$52,400,000) for grants to the Industrial Development Board of Montgomery County for the Hankook Tire Co. project and to the Department of Transportation (\$83,500,000) for highway improvements. Authorizes the State Funding Board to issue bond amounts not to exceed 2.5 percent of the amounts specified above for funding discount and costs of issuance.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$18,436,000 - First Year Debt Service

\$273,188,000 Over life of the bonds

\$167,600,000 Principal

\$105,588,000 Interest

SUMMARY OF AMENDMENT (015963): Deletes section four of the original bill. Authorizes the issuance of general obligation bonds in an amount not to exceed \$167,600,000 with proceeds allocated to the Department of Finance and Administration (\$31,700,000) for capital outlay projects, and (\$44,400,000) for grants to the Industrial Development Board of Montgomery County for the Hankook Tire Manufacturing Tennessee, LP project, and (\$8,000,000) for grants to the Industrial Development Board of the City of Gallatin for the Beretta U.S.A. Corp. project and to the Department of Transportation (\$83,500,000) for highway improvements.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.


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Assumptions for the bill as amended:

- The amendment reduces the bond allocation to the Montgomery County Industrial Development Board by \$8,000,000 and provides an \$8,000,000 allocation to the Industrial Development Board of the City of Gallatin.
- All capital improvement projects shall be authorized and approved by the State Building Commission.
- The coupon rate is estimated to be six percent.
- Bonds are issued for a term of 20 years.
- One-twentieth of the principal plus interest will be paid annually.
- Based on current bond market rates, it is estimated that the cost of capital reflected by a six percent coupon rate will be sufficient for paying actual first-year debts service plus any costs of issuance.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/cce